GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:11
ANSWERED ON:10.08.2007
REGULATION OF MONEY LENDING BUSINESS
Nikhil Kumar Shri

Will the Minister of FINANCE be pleased to state:

(a) whether a technical group formed by Reserve Bank of India has recently mooted a legislation for regulating money lending, besides fixing of maximum interest rates and compulsory registration of money lenders by the State Governments;

(b) if so, the deterils thereof;

(c) whether the Union Government has since examined the report of the technical group; and

(d) if so, the reaction thereto and by when it is likely to be implemented ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (d): Pursuant to the announcement made by the Governor, Reserve Bank of India (RBI) in the Annual Policy Statement for the year 2006-07, a Technical Group was set up under the chairmanship of Shri S.C. Gupta, the then Legal Adviser, RBI to review the efficacy of the existing legislative framework that governs money lending as also the enforcement machinery in different States and make recommendations for its improvement. The model legislation proposed by the Technical Group` provides for the following:

a simple and hassle free procedure for compulsory registration and periodical renewal, of their registration by money lenders;

a simplified dispute resolution mechanism to enstire better enforcement;

adoption of the rule of Damdupat restricting the maximum amount of interest chargeable by the money lender; and

The report of the Group has been, submitted and is placed on the website of RBI for comments of the stiikeholders. The process of consultation is to take some time as the report has been sent to all the State Government also for their comments. In the circumstances no time frame for its implementation can be specified.